

UP

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MSEA LEGISLATIVE UPDATES



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THE WEEK THAT WAS IN ANNAPOLIS

- **Supporting a Better Budget**

The House of Delegates voted overwhelmingly in favor of an amended FY16 state budget ([HB 70](#), 129-10) and Budget Reconciliation and Financing Act ([HB 72](#), 122-17) that restores \$132 million in education funding. Governor Hogan's initial budget shortchanged Maryland's schools by \$144 million. [Click here for a comparison](#) of the governor's cuts versus how the House budget restores critical education funding.

In addition to the education funding restoration, the House version of the budget erases 75% of the state's structural deficit without raising any taxes or fees. The budget plan also meets the needs of state workers, who successfully led a rally in Annapolis on Monday with MSEA and other education advocates, the night the budget hit the House floor. Avoiding the proposed 2% salary reduction from the Hogan budget is a significant victory for state employees and their families. Additionally, the House budget makes pension funding adjustments that protect retirement benefits and make the plan more sustainable within our current budget reality, while meeting the promise of reaching 80% funded status of the pension system by 2023.

The House budget now heads to the Senate Budget and Taxation Committee. Based on Senate Committee actions, the two bodies appear to agree on most of the key provisions, including funding restoration and requisite alternative cuts. One outstanding question has to do with inflation caps in FY17-20. Governor Hogan proposed a 1% inflation cap. The House budget eliminated all inflation caps. The Senate committee action adds a 1.5% inflation cap. Such caps will prevent education funding from growing with inflation, forcing schools to do more with less if the cap remains. MSEA supports the House position and encourages advocates to contact their senator to urge support of the House proposal. **Please call MSEA's Legislative Hotline at 1-888-520-MSEA (6732) and urge senators to support the House budget.**

- **Understanding the Pension Funding Changes in the House Budget**

In 2011, the General Assembly made drastic reductions in pension benefits in response to a growing unfunded liability in the system. The reforms reduced benefits and increased contributions for employees. The stated goal was to get the pension system to a healthy 80% funded status by 2023. At that time, the state planned to use a funding scheme known as "corridor funding," a practice that artificially reduced the state's annual pension contribution, and then add a supplemental payment of up to \$300 million to the base corridor payment. In 2012, the state shifted a portion of pension costs to local governments. The portion shifted is the "normal cost," the amount necessary to fund the incremental increase of one year of service for everyone in the pension system. As a percent of payroll, the normal cost was estimated to be 4.5% of payroll once fully phased-in. The balance of the pension obligation for the state to pay would be the unfunded liability, a cost that today stands at 17.5% of payroll. As a result of these changes, coupled with stronger than projected investment performance, the 80% funded status is projected by 2021.

This year, the House budget makes two more changes. The most important one is the state's immediate withdrawal from the flawed corridor funding scheme in FY17. The state will contribute the actuarial required contribution (ARC), which combined with local and employee contributions and projected investment earnings, will properly fund the total obligations of the plan, eventually building back to 100% funded status. This payment can fluctuate based on stock market performance, but is the appropriate funding model. Coupled with the move to ARC funding, the state is reducing and capping its supplemental payment at \$75 million a year until the pension system reaches 85% funded status. As a

result of the move to ARC in FY17 and the supplemental payments, the state is projected to reach the 80% funded status in 2023, in line with the stated goal when the pension reforms were initiated.

The General Assembly was dealt a tough hand, considering their limitation in only cutting from the budget proposed by the governor. Restoring 92% of the education cuts and a significant part of the safety net programming of the state, while still protecting employee retirement savings, truly makes the House budget a better budget for Maryland. Taken in totality, it earns MSEA's support. We look forward to working with the Senate to achieve equal, or even better outcomes, as it relates to funding for schools and retirement security.

- **Testing Commission on the Move**

State senators unanimously passed [SB 497](#), Commission to Review Maryland's Use of Assessments and Testing in Public Schools, with some minor amendments. The House version of the bill, [HB 452](#), has been the subject of numerous subcommittee discussions in the Ways and Means Committee. The full committee is expected to take up the bill in a voting session later today or over the weekend. The committee is entertaining numerous amendments to maintain the commission, but on a parallel timeline, demand testing data collection from MSDE by district and by grade to inform future conversations with the General Assembly and ultimate deliberations by the commission. The positive actions in both chambers are encouraging signs that we will be well-positioned to have data and strong recommendations to push future "time to learn" legislative initiatives.

- **News and Notes**

- *PARCC Amendment Discussed During Budget Debate*

Delegate David Vogt (R, District 4, Frederick and Carroll Counties) offered a budget amendment that would withhold \$34 million in funding for the PARCC test and force the state to administer the Smarter Balanced assessment next school year. The amendment failed 40-98, amid concerns that advancing a third test in the last three years would be a disservice to educators and school districts that have been preparing for and learning from PARCC implementation. While MSEA certainly has concerns with how PARCC has been introduced and some of the horror stories heard from students, parents, and educators during the first two weeks of administration, we must advance other efforts to force changes in the PARCC test to be shorter, cheaper, and drain fewer hours and resources from meaningful instruction.

- *The House of Delegates Is Back to Full Strength with 141 Members*

For the last few weeks, the House of Delegates was not operating at full strength, due to vacancies created when two delegates were promoted to the State Senate and one delegate became a Circuit Court judge. Washington County Commissioner Bill Wivell (R, District 2A, Washington County) replaces Senator Andrew Serafini and joins the House Appropriations Committee. Carroll County Board of Elections member April Rose (R, District 5, Carroll County) replaces Senator Justin Ready and joins the House Health and Government Operations Committee. And Michael Malone (R, District 33, Anne Arundel County), former chairman of the Anne Arundel County Republican Central Committee, takes over for newly-appointed Circuit Court judge Cathy Vitale and will serve on the House Judiciary Committee.

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